

<b>Securities Program Goal</b>		<b>Agency/Program #:</b> 3401-04-G1
		<b>Division:</b> Securities Division
		<b>Program:</b>
<b>Agency Name:</b>	State Auditor's Office	
<b>Agency Contact:</b>	Lynne Egan	444-2040
<b>LFC Contact:</b>	Representative Sesso, Representative Taylor	
<b>LFD Liaison:</b>	Kris Wilkinson	444-5834
<b>OBPP Liaison:</b>	Shawn Graham	444-0054

**Program or Project Description:**

The Securities Program is responsible for the administration and enforcement of the Securities Act of Montana and, in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, and investment adviser representatives. The program is also responsible for the investigation of unregistered and fraudulent securities transactions, and resolving investor complaints and other investment related issues.

Appropriation, Expenditure and Source					
Fund Name:	2008		2009		Approp & Expenditure numbers are as of August 29, 2008
	Approp.	Expended	Approp.	Expended	
General Fund	0	0	0	0	
State Special	802,978	612,572	946,837	60,349	
Federal Funds	0	0	0	0	
<b>Total:</b>	<b>\$802,978</b>	<b>\$612,572</b>	<b>\$946,837</b>	<b>\$60,349</b>	

**Legislative Goal(s):**

Protect the investor, persons engaged in securities transactions, and the public interest

**Legislative Performance Measures:**

1. Regulation of the securities industry through a comprehensive broker-dealer and investment adviser firm examination program to ensure firms have adequate policies and procedures to prevent and detect potential violations of the Securities Act of Montana. At least six comprehensive examinations begun or completed during the current biennium. Results of the exams will be compared with previous exam periods to determine level of compliance and the determination of whether themes or trends appear related to sales or business practice violations.
2. Continuation of the investor education and law enforcement training programs. At least one investor education forum and law enforcement training program each month, spread geographically across the state for the remainder of the biennium. Feedback from previous forums will be used to tailor presentations and sessions to provide the most effective and timely information. Surveys will be distributed following scheduled sessions to provide more immediate information about whether the information offered by the agency meets participant expectations.

**2009 Biennium Significant Milestones:**

		Completion Dates	
		Target	Actual
1	Investor Education Seminars, total of 16 (8 per year), geographically dispersed throughout state	6/30/2009	10/11/2008
2	Law Enforcement Trainings, total of 6 (3 per year) geographically dispersed throughout state	6/30/2009	8/31/2008
3	Capital Formation Seminars, total of 6 (3 per year), geographically dispersed throughout state	6/30/2009	anticipate 4/30/2009
4	Broker-dealer branch office examinations, total of 20 (10 per year). Broker-dealer firms that have not previously been examined by agency.	6/30/2009	anticipate 6/30/2009
5	Continuing staff education. Each securities staff employee will attend at least one NASAA funded and sponsored training event. Total of 12.	6/30/2009	anticipate 6/30/2009
6	Administrative Actions. Minimum of 25 proposed and resolved administrative actions. Levy fines totalling at least \$75,000 annually.	6/30/2009	6/30/2008

**Agency Performance Report:**

Milestone #1. On Track. The Securities Division will have conducted in excess of 30 investor education events in all corners of this state, reaching thousands of investors by October 11, 2008. Additionally, the Securities Division completed a 52-minute investor education documentary that has aired on PBS, CBS affiliates as well as cable access regularly throughout Montana for the past 3 months. The Division has also provided several thousand copies of the documentary to people throughout this state.

Milestone #2. On Track. The Securities Division has hosted and/or participated in 7 law enforcement trainings during the current biennium and will be involved in an 8th event in partnership with AARP in November 2008.

Milestone #3. On Track. The Securities Division will have hosted three Capital Formation Seminars by mid-October and intends to hold three additional events in the spring of 2009.

Milestone #4. On Track. The Securities Division has examined 17 broker dealer branch offices so far this biennium and has 8 more scheduled.

Milestone #5. On Track. The Securities Division has made available broker-dealer, investment adviser, capital formation, investor education and new attorney/investigator training, offered through the North American Securities Administrator's Association, available to its staff. Additionally, the Division has made senior fraud training, offered through the National White Collar Crime Center, available to its staff.

Milestone #6. On Track. The Securities Division initiated and resolved in excess of 25 administrative actions and collected in excess of \$125,000 in fines in FY08 alone. The Division anticipates actions and fines at substantially greater levels in FY09. The Securities Division served as a support state in the NASAA global auction rate securities investigations against 15 states and anticipates resolving these matters through the administrative process in early 2009. Rescission to Montana investors alone will exceed \$100,000,000 and fines will also be in excess of \$1,000,000.

**LFD Narrative:**

LFD ASSESSMENT: On Track

DATA RELEVANCE: Yes

APPROPRIATION STATUS: Appropriation and expenditure data were provided. The division spent approximately 76.3 percent of the appropriation provided by the 2007 Legislature, the workgroup may wish to discuss the areas where the division realized efficiencies or cost savings during FY 2008 and the potential for additional cost savings in the program in FY 2009 and for the 2011 biennium.

COMMENTS/ISSUES: The SAO Securities Division continues to remain on track in meeting the various performance measurements selected to demonstrate meeting the division's goal of protecting investors and those working in the securities field, the workgroup may wish to discuss the performance measures the SAO is planning for the 2011 biennium in light of the current successes of the division. The workgroup may also wish to request a brief summary of the NASAA global auction rate securities case highlighted in the Agency Performance Report

OPTIONS: Upgrade or downgrade the rating - options for workgroup in relation to the rating are No further review or Progress Report Requested

Version	Date	Author
	9/24/2008	

Change Description